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SUBJECT: PDAS Pittman Reviews Angolan Economic Issues with High-Level GRA Officials

¶1. (SBU) Summary: During meetings with the Angolan Minister of Finance, Deputy Prime Minister and Director of the Angolan Private Investment Agency, DPAS Bobby Pittman discussed the availability of US Treasury advisors to offer technical assistance to Angola; the state of Angola's negotiations with the Paris Club; the high-level of transparency demonstrated in Angola's most recent round of oil concessions and possible Angolan accession to EITI; how best Angola might benefit from AGOA; and exchanged views on strengthening the business climate in Angola for US businesses, including improving the perception of Angola's image in the international community. End Summary.

¶2. (SBU) PDAS Bobby Pittman met on May 19, 2006, with Finance Minister Pedro de Morais, Deputy Prime Minister Aguinaldo Jaime and Director of the Angolan Private Investment Agency (ANIP) Carlos Fernandes. PDAS Pittman was accompanied by Charge James Knight and Pol/Econ Chief (notetaker); for Deputy PM meeting, AIDoff attended as notetaker. Each of Angolan principals met alone with us.

Deputy Prime Minister: Strengthening Angola's Image

¶3. (SBU) PDAS Pittman and DPM Jaime opened with a discussion of the business climate in Angola. DPM Jaime said he hoped to see more US investment in Angola, but thought many investors remained reluctant as they didn't have a clear picture of Angola. He commented that Angola faced an image problem. PDAS Pittman suggested that there were many ways to improve a country's business climate; for example, shortening the time required to open a business. He also cited elections as a part of the perception that a country offered a stable environment for business. PDAS Pittman raised the possibility of US Department of Treasury advisors to assist Angola with improving its business environment and International Finance indicators.

¶4. (SBU) PDAS Pittman also praised Angola for the high level of transparency demonstrated in the April and May round of oil concessions. DPM Jaime responded that he believed Angola was taking positive steps on the transparency initiative and the GRA intended to adhere to the Extractive Industries Transparency Initiative (EITI). He commented that the GRA was already fulfilling the commitments of EITI and he intended to advise the Council of Ministers to take the next step to formally accede to the initiative. The government would then set up the commission to monitor the country's compliance.

ANIP Director: Stimulating Investment and Working with the Bretton Woods Institutions

¶5. (SBU) ANIP Director Fernandes and PDAS Pittman opened

with assurances that each side was interested in business partnering for the future. Fernandes commented on the importance of an international investors' conference in Angola and looked for US support. PDAS Pittman reiterated US and international community support for an investors' conference. He also mentioned some of the ways in which other countries have improved their investment climates by simplifying bureaucratic processes.

16. (SBU) Fernandes noted PDAS Pittman's former work with Bretton Woods institutions and asked for his advice on how Angola could improve its relationships with the IMF and World Bank. He also expressed hope the US could assist in influencing the World Bank and IMF relationships with Angola. PDAS Pittman recommended that Angola not group the two institutions together, but rather, look at them separately. PDAS Pittman noted the linkage between rising economic growth rates and increased performance in Angola and the Bank's system for allocating funds based on performance, signally that this should help Angola strengthen its future position. He also suggested that since Angola was able to finance much of its infrastructure needs through private lending, it should think about World Bank assistance for health and education. Regarding the IMF, PDAS Pittman described the Nigerian model emphasizing the need to develop a firm economic basis.

Finance Minister: How Best to Strengthen our Institutions?

16. (SBU) Finance Minister Pedro de Morais opened with a query on a new date for A/S Frazer's visit to Angola. PDAS Pittman commented that she would be coming to Angola as would many other high-level US visitors. FinMin de Morais thanked us for our assistance in the Financial Planning Unit in the Ministry of Finance, noting how valuable this

training is in strengthening the Ministry's technical capacity. He mentioned that his deficit of qualified staff was a critical issue and this program helped absorb Angolans just graduating from University and providing them with practical training. (Note: FPU training extends beyond recent graduates to include senior technical specialists in the Ministry of Finance as well as other ministries.)

17. (SBU) FinMin De Morais mentioned the Bilateral Investment Treaty (BIT) and also asked in what other areas the U.S. could help with institution building. PDAS Pittman commented that there was interest in the U.S. to negotiate a BIT with the GRA but that our resources were limited and we needed to know that the GRA was ready to move forward. FinMin de Morais replied that he could mobilize his people to work on this. PDAS Pittman also discussed the possibility of providing US Department of Treasury advisors to the Ministry but noted that the request for this assistance had to originate with the GRA and certain assurances were necessary, such as the ability to provide office space to the advisors. FinMin de Morais would like to pursue this possibility during his next trip to the U.S. (no date set) or with Treasury officials in Luanda.

18. (SBU) FinMin de Morais offered that GRA negotiations with the Paris Club were moving apace. He said that the proposals Angola received were very demanding in terms of early disbursement of total debt, including late fees. However, he believes that the GRA and Paris Club members can come to an understanding if Angola commits to pay all arrears and penalties. He said Angola owes USD 2.3 billion in arrears; 0.4 billion in upcoming payments and 1.8 billion in late fees. PDAS Pittman remarked on the benefits of settling with the Paris Club in terms of preferred lending terms for future projects.

19. (SBU) Comment: Each of our interlocutors was very clear in expressing a strong interest in attracting additional US business investment in Angola. All recognize the steps still necessary for Angola to improve its image as an investment destination, but are looking for continued US recognition of GRA improvements in transparency and economic

reform. Embassy Luanda believes that PDAS Pittman's visit was beneficial not only in reinforcing the message that the USG is interested in Angola but also in providing practical advice on possible next steps for the GRA to continue strengthening its investment climate.

110. (U) PDAS Pittman has cleared on this cable.

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